

# BRIEFLY...

Highlights of Report Number: 02-03-202-03-370, a report to the Assistant Secretary, Employment and Training Administration. March 14, 2003.

## WHY READ THE REPORT

Job Corps, established by Congress in 1964, is recognized today as the nation's largest and most comprehensive residential education and job training program for at-risk youth, ages 16 through 24. More than 60,000 students participate annually. Job Corps emphasizes intensive education, vocational training, youth development, counseling, job placement and follow-up. The Department of Labor's (DOL) *National Job Corps Study* (2001) called the program "cost effective" – increasing education, employment and earnings of Job Corps graduates

Contractors manage the 118, primarily residential, Job Corps centers on behalf of DOL. The Vinnell Corporation won a \$19.1 million contract from the Employment and Training Administration (ETA) to operate the Whitney M. Young Job Corps Center (WYJCC), outside Louisville, Kentucky, from March 1, 1998 through September 30, 2000.

## WHY OIG CONDUCTED THE AUDIT

The Workforce Investment Act (WIA) prohibits Job Corps Centers from paying taxes since DOL owns them. We audited Vinnell's contract with Job Corps to determine whether or not the firm improperly claimed and received reimbursement for property and other taxes while they operated the WYJCC from June 1, 1999 through June 30, 2000.

## READ THE FULL REPORT

<http://www.oig.dol.gov/public/reports/oa/2003/02-03-202-03-370.pdf>

To view the report, including the scope, methodology, and full agency response, click on the link above.

MARCH 2003

# JOB CORPS CENTER CONTRACTOR CLAIMS UNALLOWABLE TAXES

## WHAT OIG FOUND

Our audit found that Vinnell Corporation:

- Did not pay property taxes for the WYJCC.
- Claimed unallowable sales and school taxes of \$34,111 as part of utility fees paid to the Kentucky Utilities Company during the period June 1, 1999, through June 30, 2000.

The sales and school taxes are not allowable Job Corps costs. WYJCC is owned by USDOL and is exempt from taxes under law.

Further, an official from the Kentucky Utilities Company indicated that had Vinnell Corporation requested tax-exempt status, these taxes would not have been included on its bills.

## WHAT OIG RECOMMENDED

We recommended that ETA:

- Recover the questioned tax payments from the Vinnell Corporation.
- Follow-up with the current contractor to ensure it has asked for tax-exempt status and has not charged sales and school taxes to DOL contracts.

Vinnell Corporation agreed with our findings. The contractor stated their intent to issue a credit to DOL.